Dr Kenneth Kaunda District Municipality
Annual Financial Statements
for the year ended 30 June 2010

General Information

Legal form of entity	1	
	1	
Mayoral committee	1	
Executive Mayor	Councillor B E Moloi (Ms)	
Speaker	a	
	a	
Councillors	a	
	a	
	a	
	a	
	a	
	a	
	a	
	a	
Grading of local authority	Grade 4: Determination of Upper Limits	
	Grade 10: Bargaining Council	
Accounting Officer	Adv. MA DLAVANE	
	B. Juris, LLB (TURFLOOP)	
Acting Chief Finance Officer (CFO)	MB DAFFUE	
	MBL (UNISA)	
Accounting Officer	1	1
Registered office	Civic Centre	
	Patmore Road	
	ORKNEY	
	2620	
Business address	1	
	1	
	1	
	1	
	1	
Postal address	1	
	1	
	1	
	1	
	1	
Bankers	1	
	1	
Auditors	1	
	1	
Secretary	1	

General Information

Attorneys	1
	1

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Certification by Municipal Manager

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 65, in termss of Section 126(1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) and which I have half of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 24 of these Annual Financial Statements are within the upper limits of the framework envisages in Section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

The operating results for the year were [pleasing/satisfactory/disappointing] for the following reasons. The financial position of the municipality is [describe].

Net surplus of the municipality was 35 014 825 (2009: profit 14 902 351)..

2. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated deficits of - and that the municipality's total assets exceeds its liabilities by 158 448 641.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Dr Kenneth Kaunda District Municipality
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Investments	8	137 000 000	113 000 000
Operating lease asset	10	-	8 760
Trade and other receivables	12	1 394 128	979 691
VAT receivable	13	2 135 490	4 469 403
Cash and cash equivalents	15	7 639 832	11 428 454
		148 169 450	**129 886 308**
Non-Current Assets			
Biological assets	3	177 436	910 580
Property, plant and equipment	4	16 438 228	17 365 350
Intangible assets	5	694 680	623 870
Investments	8	9 189 163	8 723 066
		26 499 507	**27 622 866**
Non-Current Assets		26 499 507	27 622 866
Current Assets		148 169 450	129 886 308
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**174 668 957**	**157 509 174**
Liabilities			
Current Liabilities			
Finance lease obligation	17	-	57 396
Operating lease liability	10	1 276 676	845 099
Increase/(Decrease) in trade and other payables	21	6 555 108	13 112 433
Post Retirement Medical Aid benefit Liability	11	87 600	65 059
Increase/(Decrease) in conditional grants and receipts	18	3 240 482	14 979 049
Provisions	19	-	523 621
Current Portion - Long Services defined Benefit Plan	20	111 346	33 266
		11 271 212	**29 615 923**
Non-Current Liabilities			
Post Retirement Medical Aid benefit Liability	11	4 022 150	3 543 802
Long Service Awards	20	926 954	751 440
		4 949 104	**4 295 242**
Non-Current Liabilities		4 949 104	4 295 242
Current Liabilities		11 271 212	29 615 923
Liabilities of disposal groups		-	-
Total Liabilities		**16 220 316**	**33 911 165**
Assets		174 668 957	157 509 174
Liabilities		(16 220 316)	(33 911 165)
Net Assets		**158 448 641**	**123 598 009**
Net Assets			
Accumulated surplus	16	158 448 641	123 598 009
Total Net Assets		**158 448 641**	**123 598 009**

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Sale of flowers		481 891	371 766
Penalty (Contracts)		10 000	20 500
Government grants & subsidies	24	155 057 752	130 526 114
Actuarial gains - Defined benefit plan		-	149 766
Rental income		-	28 207
Other income	25	750 958	3 570 619
Interest received - investment	29	11 340 356	15 635 020
Dividends received	29	1 009	1 651
Total Revenue		**167 641 966**	**150 303 643**
Expenditure			
Employee related costs	27	41 069 488	37 460 767
Remuneration of councillors	28	6 147 648	5 804 306
Depreciation and amortisation	30	2 730 522	2 309 289
Finance costs	32	5 194	16 653
Debt impairment		297 467	-
Repairs and maintenance		831 339	553 054
Contracted services	34	1 703 336	1 653 813
Grants and subsidies paid	35	60 690 722	70 288 948
Contributions to Leave Reserve		387 108	1 039 034
General Expenses	26	18 036 752	14 814 542
Total Expenditure		**(131 899 576)**	**(133 940 406)**
Gains (Loss) on write-off of assets		5 582	(1 460 884)
Gains or losses on biological assets and agricultural produce		(733 144)	-
Surplus for the year		**35 014 828**	**14 902 353**

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus / (Deficit)
Opening balance as previously reported	110 727 322
Adjustments	
Fundamental errors affect net assets	(116 524)
Balance at 01 July 2008 as restated	**110 610 798**
Changes in net assets	
Change in accounting policy	(2 661 625)
Prior year adjustments	1 016 112
Transfer to grants (Interest)	(269 627)
Net income (losses) recognised directly in net assets	(1 915 140)
Surplus for the year	14 797 824
Total recognised income and expenses for the year	12 882 684
Balance at 01 July 2009	**123 493 482**
Adjustments	
Prior year adjustments	104 528
Balance at 01 July 2009	**123 598 010**
Changes in net assets	
Transfer to grants(Interest)	(172 194)
Purchasing of assets	8 000
Net income (losses) recognised directly in net assets	(164 194)
Surplus for the year	35 014 825
Total recognised income and expenses for the year	**34 850 631**
Balance at 30 June 2010	**158 448 641**

Note(s)

Cash flow statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		-	127 916 679
Interest income		11 340 356	-
Dividends received		1 009	1 651
		11 341 365	127 918 330
Payments			
Suppliers		-	(124 465 844)
Finance costs		(5 194)	-
		(5 194)	(124 465 844)
Total receipts		11 341 365	127 918 330
Total payments		(5 194)	(124 465 844)
Undefined difference compared to the cash generated from operations note		**23 209 064**	**-**
Net cash flows from operating activities	36	**34 545 235**	**3 452 486**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1 692 233)	(3 344 245)
Proceeds from sale of property, plant and equipment	4	200 869	1 460 884
Purchase of other intangible assets	5	(249 956)	-
Proceeds from sale of financial assets		(24 466 097)	(7 750 364)
Purchase of biological assets	3	(17 796)	-
Proceeds from sale of biological assets	3	(376 144)	-
Dividend income		-	1 651
Interest Income		-	15 635 020
Finance costs		-	(16 653)
Net cash flows from investing activities		**(26 601 357)**	**5 986 293**
Cash flows from financing activities			
Movement in long service awards		253 594	-
Finance lease payments		(62 590)	-
Net cash flows from financing activities		**191 004**	**-**
Net increase/(decrease) in cash and cash equivalents		**8 134 882**	**9 438 779**
Cash and cash equivalents at the beginning of the year		11 428 454	1 997 673
Cash and cash equivalents at the end of the year	15	**7 639 832**	**11 428 454**

Accounting Policies

1.1. Basis of Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 4 and 5 issued by the Accounting Standards Board (ASB).

1.1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY
Accounting Policies have been consistently applied, except where otherwise indicated below:
The details of any resulting changes in accounting policy and comparative restatements are given in Notes and 40 to the Annual Financial Statements.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flow.

The details of any changes in accounting policies and comparative restatements are explained in the relevant policy.

1.1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS
In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition
Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.n making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9:
Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities. In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: Financial Instruments - Presentation and IAS 39: Financial Instruments - Recognition and Measurement.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation is provided in Note 3 and 4 of the Annual Financial Statements.

Accounting Policies

Impairment of trade receivables
The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors."

1.2.4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of Property, Plant and Equipment

Accounting Policy 2.10 on PPE - Impairment of assets and Accounting Policy 3.2 on Intangible assets - Subsequent Measurement, Amortisation and Impairmentequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: Property, Plant and Equipment and GRAP 102: Intangible assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets involves significant judgment by management.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 18 to the Annual Financial Statements.

1.2.7 Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes 12 and 19 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.1.3 FUNCTIONAL AND PRESENTATION CURRENCY
These annual financial statements are presented in South African Rands (ZAR) which is also the functional currency of the municipality.

1.1.4 GOING CONCERN ASSUMPTION
These financial statements have been prepared on a going concern basis.

1.1.6 COMPARATIVE INFORMATION
Directive 4 Transitional Provisions for the Adoption of Standards of GRAP issued by the Accounting Standard Board by Medium and Low Capacity Municipalities.

GRAP:
GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs

Accounting Policies

GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associates
GRAP 8 Interests in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets

1.1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 25 Employee Benefits - issued December 2009

GRAP 26 Impairment of Cash-generating Assets - issued March 2009

GRAP 103 Heritage Assets - issued July 2008

GRAP 104 Financial Instruments - October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

"The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008) "

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010

IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.1.8 Effective IFRSs and IFRICs

Accounting Policies

That are applied considering the provisions in paragraph .20 to .26 of the Directive.
Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.
A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

1.3.1 Consolidation

Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality’s share of net assets of the investee. The surplus or deficit of the municipality includes the municipality’s share of the surplus or deficit of the investee.

The municipality’s share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available annual financial statements of the associate are used by the municipality in applying the equity method. When the reporting date's of the municipality and the associate are different, the associate prepares, for the use of the municipality, annual financial statements as of the same date as the annual financial statements of the municipality unless it is impractical to do so.

When the annual financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the municipality, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the municipality’s annual financial statements. In any case, the difference between the reporting date of the associate and that of the municipality is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

The municipality’s annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the municipality's interest in that associate are recognised only to the extent that the municipality has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is

Accounting Policies

accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement

1.3.2 Biological assets

An entity shall recognise a biological asset or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less estimated point-of-sale costs.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value, by equal installments over their useful lives as follows:

Item	**Useful life**
Plants yearly - annually	1 year
Plants -Perennial	10 years

1.3.3 Property, plant and equipment

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in

1.3.3 Property, plant and equipment (continued)

connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	30 Years
Furniture and fixtures	7-10 Years
Motor vehicles	5-7 Years
Office equipment	3-7 Years
IT equipment	3-5 Years

Depreciation only commences when the asset is available for use, unless stated otherwise.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate. These were not reviewed in the previous and current financial years as required by GRAP 17. The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2009 and 2010 but must comply with the measurement requirements for the year ending 30 June 2011. It must however identify and correctly classify all PPE on an assets register during the 2009 and 2010 years.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.3.3 Property, plant and equipment (continued)

3.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.8 Impairment of assets

3.8.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

"An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset."

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit..

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Accounting Policies

1.3.3 Property, plant and equipment (continued)
A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.9.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Transitional provision

The estimated useful lives and depreciation methods will be reviewed for the year ended 30 June 2011 and will be applied retrospectively where practicable, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

2.4 Intangible assets

4. 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Accounting Policies

2.4 Intangible assets (continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

? it is technically feasible to complete the intangible asset so that it will be available for use;

? management intends to complete the intangible asset and use or sell it;

? there is an ability to use or sell the intangible asset;

? it can be demonstrated how the intangible asset will generate probable future economic benefits;

? adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
? the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.
"Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up."

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation methods have not been reviewed for the year ended 30 June 2010 in accordance with the transitional arrangements of ASB Directive 4.

4. 3 Derecognition
Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is

2.4 Intangible assets (continued)

determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2010 in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

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Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3-5 Years

Transitional provision

Intangible asselts recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2010 in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

2.5 Investments in Associates

The municipality has taken advantage of the transitional provisions as of Directive (4) and has not applied the standard of GRAP 7 – Investment in Associates in full.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 7 – Investment in Associates will have on the municipality’s financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

Initial measurement

An associate is an entity over which the municipality as the investor is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.
The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor’s share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor’s share of the associate’s surplus or deficit for the year

The municipality uses the most recent available financial statements of the associate in applying the equity method. The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor’s share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor’s share of the associate’s surplus or deficit for the year. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/ (deficits) less any dividends received.

Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

Where the municipality or its entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred

2.6 Financial instruments

2.6 Financial instruments (continued)

Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality classifies financial assets and financial liabilities into the following categories:

Investments in Fixed Deposits	Held-to-maturity investment
Long-term Receivables	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits – Call	Available-for-sale financial assets
Bank Balances and Cash	Available-for-sale financial assets

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: available for sale.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Finance lease obligations

Accounting Policies

2.6 Financial instruments (continued)
Operating lease liability

Certain Other Creditors (see note 13)

Employees medical aid benefits liability

Current Portion of Long-term Liabilities

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

(i) Fair value through profit or loss; or

(ii) Other financial liabilities (Financial liabilities measured at amortised cost)

(iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial recognition and measurement

6.3.1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

"Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables."

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6.3.2 Financial Liabilities:

Financial liabilities

2.6 Financial instruments (continued)
Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

"Any other financial liabilities are classified as ""Other financial liabilities"" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.
"
Prepayments are carried at cost less any accumulated impairment losses.

6.4 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.5 Derecognition of Financial Liabilities

"The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality transfers a financial asset if either it transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance."

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

2.6 Financial instruments (continued)

"When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.
"
"
Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.
"

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6.1 Leases

Accounting Policies

6.1 Leases (continued)

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

14. 1 The Municipality as Lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality’s net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality’s net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

lease.

Accounting Policies

2.7 GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

2.8 Revenue from exchange transactions

General

Revenue, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from Exchange Transactions

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Accounting Policies

2.8 Revenue from exchange transactions (continued)
"Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder."

Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

- The amount of revenue can be measured reliably.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8.1 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Fines

Fines constitute penalties on contracts entered into with the Municipality for which revenue is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Government grants

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

"Government grants and conditional receipts are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant."

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality’s interest it is recognised as interest earned in the Statement of Financial Performance.

2.9 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

2.10 Comparative figures

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

2.11 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

2.12 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

2.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

2.14 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2.15 Statutory Funds and Reserves

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements.

Capital replacement reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

"• The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
• Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
• The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
• The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
• The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects.
• The Council determines the annual contribution to the CRR..

Capitalisation reserve

"On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a

Accounting Policies

2.15 Statutory Funds and Reserves (continued)
directive (budget circular) issued by National Treasury.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item transferred to the accumulated surplus/(deficit).

Government grant reserve

"When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2.16 Conditional Grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

"Government grants and conditional receipts are recognised as revenue when:
? it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
? the amount of the revenue can be measured reliably, and
? to the extent that there has been compliance with any restrictions associated with the grant."

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality’s interest it is recognised as interest earned in the Statement of Financial Performance.

2.17 AS 24 – Related Parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

2.18 Value Added Tax

The Municipality accounts for Value Added Tax on the cash basis.

Accounting Policies

2.19 Commitments

"Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:
- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3.1.1. Changes in accounting policy, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

Notes to the Annual Financial Statements

3.2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3. Biological assets

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Plants Annual - Replanted yearly	27 296	-	27 296	15 840	-	15 840
Plants - Perennial	150 140	-	150 140	894 740	-	894 740
Total	**177 436**	**-**	**177 436**	**910 580**	**-**	**910 580**

Reconciliation of biological assets - 2010

	Opening Balance	**Additions New Plants**	**Disposals**	**Gains or losses arising from changes in fair value**	**Total**
Plants Annual - Replanted yearly	15 840	17 796	-	(5 800)	27 296
Plants - Perennial	894 740	-	(357 000)	(388 140)	150 140
	910 580	**17 796**	**(357 000)**	**(393 940)**	**177 436**

Reconciliation of biological assets - 2009

	Opening Balance	**Additions**	**Total**
Plants Annual - Replanted yearly	-	15 840	15 840
Plants - Perennial	-	894 740	894 740
	-	**910 580**	**910 580**

Non – Financial information

Quantities of each biological asset		
Annual -Replanted yearly		
Craspedia	9 000	18 360
Statice White	19 000	8 040
Statice Blue	3 000	4 200
Statice Dark Blue	12 000	-
Liatris	540	540
Delpinium	3 800	-
Antirrhinum Rocket	14 000	-
Perennials		
Limonium	20 000	20 160
Liriope	40 000	39 600
Asparagus Virgatus	10 000	10 740
Ruscus	4 000	5 100
Aspedistra	10 000	16 300
Flax	13 500	13 500
Tuberose	24 000	24 480
Safari Sunset	500	600
Beschauaria	-	35 700
Willow Green	1 500	2 520
Willow Yellow	600	600
Equisitum	25 500	25 500
	210 940	**225 940**

The asset count and valuation was done by Mr Jac Duif horticultural consultant.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3. Biological assets (continued)

The municipality has taken advantage of the transitional provisions as of Directive 4 and has not applied the standard of GRAP 101 – Agricultural Assets.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 101 – Agricultural Assets will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

Methods and assumptions used in determining fair value

Fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest.	-	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Land and Buildings	12 633 414	(2 271 046)	10 362 368	12 633 415	(1 582 678)	11 050 737
Furniture and fittings	2 146 212	(968 946)	1 177 266	1 876 726	(627 903)	1 248 823
Motor vehicles	5 396 268	(2 421 241)	2 975 027	4 933 605	(1 613 664)	3 319 941
Office equipment	1 064 640	(284 836)	779 804	757 284	(109 457)	647 827
Computer Equipment	2 592 873	(1 727 852)	865 021	2 251 945	(1 436 624)	815 321
Community	10 326	(2 378)	7 948	9 820	(374)	9 446
Other property, plant and equipment	551 047	(280 253)	270 794	435 041	(161 786)	273 255
Total	**24 394 780**	**(7 956 552)**	**16 438 228**	**22 897 836**	**(5 532 486)**	**17 365 350**

Reconciliation of property, plant and equipment - 2010

	Opening Balance	**Additions**	**Disposal of Assets**	**Depreciation write - offs**	**Depreciation**	**Total**
Land and Buildings	11 050 737	-	-	-	(688 368)	10 362 368
Furniture and fixtures	1 248 823	269 486	-	-	(341 044)	1 177 266
Motor vehicles	3 319 941	657 950	(195 287)	119 312	(926 889)	2 975 027
Office equipment	647 827	307 357	-	-	(191 686)	779 804
Computer Equipment	815 321	340 928	-	-	(269 372)	865 021
Community	9 446	506	-	-	(2 004)	7 948
Other property, plant and equipment	273 255	116 006	-	-	(118 467)	270 794
	17 365 350	**1 692 233**	**(195 287)**	**119 312**	**(2 537 830)**	**16 438 228**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	**Additions**	**Transfer in of Assets**	**Disposals**	**Depreciation**	**Total**
Land and Buildings	11 687 153	10 890 346	-	-	(1 285 777)	11 050 737
Furniture and fixtures	635 013	1 135 575	8	(7 523)	(491 442)	1 248 823
Motor vehicles	2 099 341	2 288 021	-	-	(794 667)	3 319 941
Office equipment	600 903	642 407	8 012	(654 138)	(59 133)	647 827
Computer equipment	1 208 312	323 419	125 704	(62 556)	(484 248)	815 321
Community	-	9 820	-	-	(374)	9 446
Other property, plant and equipment	107 185	435 041	210 932	-	(161 786)	273 255
	16 337 907	**15 724 629**	**344 656**	**(724 217)**	**(3 277 427)**	**17 365 350**

Pledged as security

No carrying value of assets was pledged as security for liabilities:

Assets subject to finance lease (Net carrying amount)

	2010	2009
Samsung DSC PABX System	-	51 272
	-	**51 272**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. Intangible assets

	2010			2009		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software, other	1 217 100	(522 420)	694 680	967 145	(343 275)	623 870
Total	**1 217 100**	**(522 420)**	**694 680**	**967 145**	**(343 275)**	**623 870**

Reconciliation of intangible assets - 2010

	Opening Balance	**Additions**	**Amortisation**	**Total**
Computer software, other	623 870	249 956	(179 146)	694 680
	623 870	**249 956**	**(179 146)**	**694 680**

Reconciliation of intangible assets - 2009

	Opening Balance	**Additions**	**Disposals**	**Transfers**	**Amortisation**	**Total**
Computer software, other	865 945	479 635	(705 582)	30 352	(46 480)	623 870
	865 945	**479 635**	**(705 582)**	**30 352**	**(46 480)**	**623 870**

Pledged as security

No Carrying value of intangible assets pledged as security:

Other information

The municipality has taken advantage of the transitional provisions as of Directive 4 and has not applied the standard of GRAP 102 – Intangible Assets.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 102 – Intangible Assets will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

6. Investments in Associates

Name of company	**Listed / Unlisted**	**% holding 2010**	**% holding 2009**	**Carrying amount 2010**	**Carrying amount 2009**	**Fair value 2010**	**Fair value 2009**
SDM Economic Development Agency	Unlisted	100,00 %	100,00 %	-	-	-	2 257 664
				-	-	-	2 257 664

The municipality has a 100% holding in the Dr Kenneth Kaunda District Municipality Economic Agency. The carrying value and fair value is determined by the office of Price Waterhouse Cooper 10 Rykstr Welkom. The cost price of the investment is nul.

7. Long-term Receivables

	2010	2009
Study loans Study loans approved to children of employees before implementation of MFMA	9 500	16 715
Total Long -Term Receivables	9 500	16 715
Less:Impairment of Long -Term Receivables	(9 500)	(16 715)

Figures in Rand	2010	2009

7. Long-term Receivables (continued)

Total Long- Term Receivables	**-**	**-**

Study loans are classified as Long term receivables as it will not be realised within 12 months of balance sheet date.

8. Investments

Available-for-sale		
ABSA Asset Management	9 189 163	8 723 066
This fund is manage by Absa Fund Management		
	9 189 163	**8 723 066**
Held to maturity		
Call Investment Deposits	137 000 000	113 000 000
Call investment Deposits is invested for a period from 1 to 6 months		
	137 000 000	**113 000 000**
	-	-
	-	-
	-	-
Total Investments	**146 189 163**	**121 723 066**
Non-current assets		
Available-for-sale	9 189 163	8 723 066
	9 189 163	**8 723 066**
Current assets		
Held to maturity	137 000 000	113 000 000
	137 000 000	**113 000 000**
	146 189 163	**121 723 066**

The maximum exposure to credit risk at the reporting date is the carrying amount of the held to maturity financial assets.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2010 and 2009, as all the financial assets were disposed of at their redemption date.

Loans and receivables impaired

As of 30 June 2010, loans and receivables of 9 500 (2009: 16 715) were impaired and provided for.

The amount of the provision was (9 500) as of 30 June 2010 (2009: (16 715)).

The ageing of these loans is as follows.

Over 6 months	9 500	16 715

Reconciliation of provision for impairment of loans and receivables

Opening balance	(16 715)	(71 684)
Provision for impairment	9 500	-
Amounts written off as uncollectible	-	20 626

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
8. Investments (continued)		
Unused amounts reversed	7 215	34 343
	-	**(16 715)**

The creation and release of provision for impairment receivables have been included in operating expenses in surplus or deficit. Amounts are generally written off when there is no expectation of recovering the cash.

The maximum exposure to credit risk at the reporting date is carrying value of each class of loan mentioned above. The municipality does not hold any collateral as security.

9. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2010

	Loans and receivables	Held to maturity investments	Available for sale	Total
Investments	-	-	9 189 163	9 189 163
Call investment deposits	-	137 000 000	-	137 000 000
Trade and other receivables	1 394 128	-	-	1 394 128
Bank and cash equivalents	-	-	7 639 832	7 639 832
VAT	2 135 490	-	-	2 135 490
	3 529 618	**137 000 000**	**16 828 995**	**157 358 613**

2009

	Loans and receivables	Held to maturity investments	Available for sale	Total
Investments	-	-	8 723 066	8 723 066
Call investment deposits	-	113 000 000	-	113 000 000
Trade and other receivables	979 691	-	-	979 691
Bank and cash equivalents	-	-	11 428 454	11 428 454
VAT	4 469 403	-	-	4 469 403
	5 449 094	**113 000 000**	**20 151 520**	**138 600 614**

10. Operating leases

	2010	2009
Current liabilities	1 276 676	845 099
Total Current Liabilities	**1 276 676**	**845 099**
Deferred lease assets	-	8 760
Current liabilities	(1 276 676)	(845 099)
Net Operating lease liabilities	**(1 276 676)**	**(836 339)**

This amount represent the the current lease liability on the lease entered into with Morubisi Technologies for CCTV surveilance services, and the deferred lease asset is on the lease entered into with Old Mutual for the lease of office buildings.

11. Retirement benefits

Post retirement medical aid benefit liability

	2010	2009
Post-Employment Health Care Benefit Liability	4 109 750	3 608 861
Total: Post-Employment Health Care Benefit Liability	**4 109 750**	**3 608 861**

Figures in Rand	2010	2009

11. Retirement benefits (continued)

Less: Transfer to current provisions	(87 600)	(65 059)
Net Post-Employment Health Care Benefit Liability	**4 022 150**	**3 543 802**

Post retirement medical aid plan

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition
of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2010 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are
provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Member category		
In-service (employee) members	92	59
Continuation (retiree and widow) members	4	4
	96	**63**

The unfunded liability in respect of past service has been estimated to be as follows:

Member category		
In-service members	2 520 352	2 299 909
Continuation members	1 589 398	1 308 861
	4 109 750	**3 608 770**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes
- Bonitas
- Hosmed
- LA Health
- Key Health
- Samwumed:

The future service cost for the ensuing year is established to be R 359,662, whereas the interest-cost for the next year is estimated to be R 374,428

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	9,21	8,97
Health Care Cost Inflation Rate %	7,26	7,69
Net Effective Discount Rate %	1,81	1,19
Continuation of membership at retirement	90%	90%
Proportion assumed married at retirement	90%	90%
Average retirement age	63	63

The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	3 608 861	2 991 112
Current service cost	308 091	242 465
Interest cost	320 882	316 206
Benefits paid	(65 059)	(57 485)
Actuarial (gain)/loss on the obligation	(63 025)	116 563

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

11. Retirement benefits (continued)

Balance at end of year	**4 109 750**	**3 608 861**

The total liability has increased by 14% (or R 0.501 million) since the last valuation. The main reasons for this movement are set out below.

In-service members

The average in-service member liability has decreased by 30% over the year due to the following factors:
a decrease in the average age which means members are further from retirement (more discounting) and more likely to leave before retirement; a decrease in the average past service; and an increase in the net discount rate
The total in-service member liability has increased by 10% due to the above and because the number of members has increased.

Continuation members

The average continuation member liability has increased by 21% due to an increase in the average employer contribution, offset by an increase in the average age and an increase in the net discount rate.
The total continuation member liability has also increased by 21% since the number of continuation members has not changed.
The table below indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 19% higher than that shown.The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

Increase		
Effect on the aggregate of the current service cost and the interest cost	140 000	122 500
	140 000	**122 500**

Decrease		
Effect on the aggregate of the current service cost and the interest cost	(128 700)	(95 900)
	(128 700)	**(95 900)**

Multi-Employer Pension Scheme Arrangements

The personnel of the Dr Kenneth Kaunda District Municipality are members of the funds as set out below.The relevant law requires every fund to do an actuarial valuation at least every three years.Sufficient information is not available to make more detailed disclosures.

Municipal Councillors Pension fund. The Municipal Councillors Pension Fund operates as a defined contribution scheme. The actuarial valuation of the fund was undertaken at 30 June 2006 and was reported to be in a sound financial position revealed that the fund had assets to the amount of R 737,970 million.The results of the 30 June 2008 actuarial valuation of the Municipal Councillors Pension Fund Fund are not yet available. The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Gratuity Fund. The defined benefit scheme is a multi-employer plan and the contribution rate payable is 9 %, by the members and 22 % by Council. The last valuation performed for the year ended 30 June 2008 revealed that the fund had assets of R8441.623 million and in a sound financial state as at 30 June 2008.

Municipal Employees Pension Fund. The contribution rate payable is 7,5 % by the members 22 % by Council. The last Actuarial valuation on this fund was performed in February 2008 certified that the fund is in a sound financial statedditional. The total assets amounts to R 5715,557 million and liabilities to R4,900,548 million.

SAMWU Provident Fund. The contribution rate payable is 7,5 % by the members 22 % by Council. The last actuarial valuation on this fund was performed for the year ended 30 June 2005 certified that the fund is in a sound financial statedditional. The results of the 30 June 2008 actuarial valuation of the SAMWU Provident Fund are not yet available. The total assets amounts to R2,764,426 million.

National Fund for Municipal workers. The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9 % and by the council is 22 %. The latest voluntary valuation was done on 30 June 2009 (30 June 2008). As at 30 June 2008 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund. The total

Figures in Rand	2010	2009

11. Retirement benefits (continued)

assets amounts to R 3,633,119 million as at 30 June 2009

The contributions by Council towards councillor and employee retirement funding have been expensed.

12. Trade and other receivables

Prepayments (if immaterial)	277 020	277 020
Fruitless and wasteful expenditure to be investigated	74 016	276
Sundry debtors	1 384 719	786 163
DBSA payments on behalf of Councils	4 118 327	4 118 326
Control Accounts	64 563	46 079
Less: Provision for bad debt	(4 524 517)	(4 248 173)
	1 394 128	**979 691**

13. VAT receivable

VAT	2 135 490	4 469 403

VAT is payable on the payment basis. Only once payments received and / or made from debtors VAT is paid over to SARS.

14. Consumer debtors

Reconciliation of bad debt provision		
Balance at beginning of the year	-	5 430 633
Bad debts written off against provision	-	(4 782 843)
Reversal of provision	-	(647 790)
	-	**-**

15. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise of the following statement of amounts :

Cash on hand	4 010	3 560
Bank balances	7 635 822	11 424 894
Bank and cash	**7 639 832**	**11 428 454**

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	15 047 433	7 719 994	5 088 296	1 708 551	(2 569 670)	(1 821 832)
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	1 772 575	1 703 465	2 120 940	1 772 575	1 837 572	1 662 267
Current Account (Premiers Support Grant) ABSA Klerksdorp Account no 950 000 244	655 555	582 909	540 413	655 555	630 338	582 909
Current Account (Disaster Risk Management grant) ABSA Pretoria Account no 40 7293 0455)	316 316	2 011 028	-	316 397	2 009 789	-
Current Account (Fire Support Grant) ABSA Pretoria Account no 40 7293 0340	1 374 154	7 592 239	-	1 374 272	7 537 562	-
Current Account (Merafong Flora) Standard bank Klerksdorp Account no 02 137 020 6)	532 110	702 884	334 585	532 110	702 884	334 585
Current Account (Geysdorp plaaslike gebiedsmomitee) ABSA Klerksdorp Account no 9 5014 6036	1 276 363	1 276 419	1 236 592	1 276 363	1 276 419	1 236 592
Total	**20 974 506**	**21 588 938**	**9 320 826**	**7 635 823**	**11 424 894**	**1 994 521**

16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2010

	Capital replacement reserve	Government grant reserve	Accumulated Surplus / Deficit due to operations	Total
Opening balance	(7 600 114)	(377 896)	(115 620 000)	(123 598 010)
Surplus /Deficit for the year	-	-	(35 014 825)	(35 014 825)
Property, plant and equipment purchases	1 911 385	(30 804)	(1 888 581)	(8 000)
Ofsetting of depreciation	-	79 451	(79 451)	-
Transfer to grants (Interest)	-	-	172 194	172 194
	(5 688 729)	**(329 249)**	**(152 430 663)**	**(158 448 641)**

Ring-fenced internal funds and reserves within accumulated surplus - 2009

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Accumulated Surplus / Deficit due to operations	Total
Restated opening balance	(10 406 629)	(5 046)	-	(100 199 121)	(110 610 796)
Surplus /Deficit for the year	-	-	-	(14 902 354)	(14 902 354)
Changes in accounting policy	-	-	-	2 661 625	2 661 625
Prior year adjustments	-	-	-	(1 016 113)	(1 016 113)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

16. Accumulated surplus (continued)

Property, plant and equipment purchases	2 806 515	-	(377 896)	(2 428 619)	-
Offsetting of depreciation	-	5 046	-	(5 046)	-
Transfer to grants (Interest)	-	-	-	269 628	269 628
	(7 600 114)	**-**	**(377 896)**	**(115 620 000)**	**(123 598 010)**

17. Finance lease obligation

	2010	2009
Current liabilities	-	57 396
	-	**57 396**

Lease of Samsung DSC PABX System.
The municipality lease a Samsung DSC PABX System. The lease was classified as a finance lease on the following grounds:1. All risks and rewards are therefore substantially transferred to the municipality.
2. The lease term therefore covers the major part of the asset's economic life
3. The present value of the minimum lease payments approximates the fair value of the Asset
Clause 7 of the TERMS OF BUSINESS states that the item must be insured by the municipality.
The agreement was signed 0n 22 May 2007 and the period for the lease is 36 months.
The monthly lease amount as per the agreement is R6 701.60. The cost of the item was determined as R 191 290,88 (R167 799.07 + R23 491.80 VAT) .

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 31 May 2007
The interest rate is Prime PLUS 3.25%
No accumulative annual escalation
No stipulation for further leasing
PABX must be insured by the Lessee as from 31 May 2007 when agreement (financial) was signed.

18. Increase/(Decrease) in conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2010	2009
Disaster Management Fund	322 810	2 346 978
DWAF Basic Sanitation	-	(74 162)
Finance Management Grant	648 264	1 784 177
Fire Support Grant	23 373	7 537 562
Integrated Municipal Monitoring Grant (IMMIS)	161 394	161 394
LED Learnership (Seta)	210 648	193 231
LG SETA	-	(38 594)
LG SETA (HIV/AIDS)	-	1 200 000
Local Government Support Grant	1 218 438	1 283 436
Paypoint Social Services	-	(74 968)
Premiers Support Grant	655 555	630 338
Rural Sanitation Backlog	-	29 656
	3 240 482	**14 979 048**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

18. Increase/(Decrease) in conditional grants and receipts (continued)

Movement during the year

	2010	2009
Balance at the beginning of the year	14 979 048	8 889 792
Additions during the year	5 293 103	14 574 809
Income recognition during the year	(17 103 357)	(8 485 553)
Undefined Difference	**71 688**	**-**
	3 240 482	**14 979 048**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Transfer from non-current	Utilised during the year	Reversed during the year	Total
Performance Bonuses	523 621		-	(523 621)	-
Post -Employment Health Care Benefits	65 059	82 446	(59 905)	-	87 600
Long -Service Awards	33 266	107 108	(29 028)	-	111 346
	621 946	**189 554**	**(88 933)**	**(523 621)**	**198 946**

Reconciliation of provisions - 2009

	Opening Balance	Additions	Transfer from non-current	Total
Performance bonusses	112 000	411 621	-	523 621
Post -Employment Health Care Benefits	-	-	65 059	65 059
Long -Service Awards	-	-	33 266	33 266
	112 000	**411 621**	**98 325**	**621 946**

Performance bonuses- the outflow is dependend on the evaluation of the performance of the managers provided for.

Post - employment health care benefits- the outflow is periodic as and when employees retired from service
Long service awards - the outflow is linked to when employees are due for long service awards..

20. Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an litimation of the awards to which employees in the service of the Municipality at 30 June 2010 may become entitled to in future, based on an actuarial valuation performed at that date.
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2010 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

	2010	2009
Provision for Long Service Awards	1 038 300	784 706
Total Provision for Long Service Awards	**1 038 300**	**784 706**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

20. Long Service Awards (continued)

Less: Transfer to Current Liabilities	(111 346)	(33 266)
Net Long Service Awards liability	**926 954**	**751 440**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate %	9,1	9,22
Expected Rate of Salary Increase (long-term) %	6,4	6,73
Net Effective Discount Rate %	2,5	2,33
Expected Retirement Age	6	63
Mortality during employment	SA 85-90	SA 85 - 90

The movement in the long service awards obligation over the year is as follows:

Balance at beginning of year	784 706	775 279
Current service cost	151 662	161 473
Interest cost	70 844	80 409
Benefits paid	(33 266)	(82 689)
Actuarial (gain)/loss on the obligation	64 354	(149 766)
Balance at end of year	**1 038 300**	**784 706**

21. Increase/(Decrease) in trade and other payables

Trade payables	886 439	6 155 822
Retention Creditors	1 761 729	2 419 252
Staff Leave	2 614 034	2 226 927
Control Accounts	16 543	979
Other Creditors	-	1 033 034
Geysdorp Gebiedskommittee	1 276 363	1 276 419
	6 555 108	**13 112 433**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

22. Financial liabilities by category

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:

2010

	Financial liabilities at amortised cost	Total
Operating lease liability	1 276 677	1 276 677
Other current liabilities	198 946	198 946
Trade and other payables	6 555 108	6 555 108
Unspent conditional grants and receipts	3 240 482	3 240 482
	11 271 213	**11 271 213**

2009

	Financial liabilities at amortised cost	Total
Operating lease liability	845 099	845 099
Other current liabilities	98 325	98 325
Provisions	523 621	523 621
Trade and other payables	13 112 433	13 112 433
Unspent conditional grants	14 979 049	14 979 049
	29 558 527	**29 558 527**

Fair Value of Financial Instruments
Management of the municipality is of the opinion that the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Capital Risk Management
The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged.

23. Revenue

	2010	2009
Sale of goods	481 891	371 766
Fines	10 000	20 500
Government grants & subsidies	155 057 752	130 526 114
	155 549 643	**130 918 380**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2010	2009
Sale of goods	481 891	371 766

The amount included in revenue arising from non-exchange transactions is as follows:

	2010	2009
Fines	10 000	20 500
Government grants & subsidies	155 057 752	130 526 114
	155 067 752	**130 546 614**

Figures in Rand	2010	2009

24. Government grants and subsidies

	2010	2009
Equitable share	18 244 000	14 578 000
RSC Levy Replacement Grant	119 858 866	108 667 319
Conditions met - Transfer to Revenue	16 954 886	7 280 795
	155 057 752	**130 526 114**

Equitable Share

Current-year receipts	18 244 000	14 578 000

The Grant is unconditional and is utilised to fund operational and capital program

RSC Levy Replacement Grant

Current-year receipts	119 858 866	108 667 319

The grant has replaced the RSC Levies that were collected by Districts and Metropolitan Municipalities. These municipalities receives the grant until National Treasury produce the tax instrument that meets conditions of a "fair" tax. The Grant is utilised to fund the operational and capital program.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	1 087 421
Conditions met - transferred to revenue	-	(1 087 421)
Conditions still to be met- transferred to liabilities	**-**	**-**

Disaster Management Grant

Balance unspent at beginning of year	2 346 978	1 024 803
Current-year receipts	-	2 000 000
Interest earned	6 413	9 789
Conditions met - transferred to revenue	(2 030 581)	(687 614)
Conditions still to be met- transferred to liabilities	**322 810**	**2 346 978**

Conditions still to be met - remain liabilities (see note 18)

DWAF Basic Sanitation

Balance unspent at beginning of year	(74 162)	92 765
Current-year receipts	74 162	-
Conditions met - transferred to revenue	-	(166 927)
Conditions still to be met- transferred to liabilities	**-**	**(74 162)**

Local Government Support Grant

Balance unspent at beginning of year	1 283 436	1 315 221
Current-year receipts	-	134 962
Conditions met - transferred to revenue	95	(1 708)
Interest earned	(65 093)	134 961
Transfer to IMMIS Grant	-	(300 000)
Conditions still to be met- transferred to liabilities	**1 218 438**	**1 283 436**

Conditions still to be met - remain liabilities (see note 18)

Figures in Rand	2010	2009

24. Government grants and subsidies (continued)

Finance Management Grant

	2010	2009
Balance unspent at beginning of year	1 784 177	2 229 234
Current-year receipts	750 000	500 000
Conditions met - transferred to revenue	(1 885 913)	(945 057)
Conditions still to be met- transferred to liabilities	**648 264**	**1 784 177**

Conditions still to be met - remain liabilities (see note 18)

Integrated Municipal Monitoring Information System (IMMIS)

	2010	2009
Balance unspent at beginning of year	161 394	34 554
Current-year receipts	-	300 000
Conditions met - transferred to revenue	-	(173 160)
Conditions still to be met- transferred to liabilities	**161 394**	**161 394**

Conditions still to be met - remain liabilities (see note 18)

Premier Support Grant

	2010	2009
Balance unspent at beginning of year	630 338	582 909
Conditions met - transferred to revenue	(60)	(60)
Interest earned	25 277	47 489
Conditions still to be met- transferred to liabilities	**655 555**	**630 338**

Conditions still to be met - remain liabilities (see note 18)

Fire Support Program

	2010	2009
Balance unspent at beginning of year	7 537 562	-
Current-year receipts	-	7 500 000
Conditions met - transferred to revenue	(7 584 824)	-
Interest earned	70 635	37 562
Conditions still to be met- transferred to liabilities	**23 373**	**7 537 562**

Conditions still to be met - remain liabilities (see note 18)

LED Learnership SETA

	2010	2009
Balance unspent at beginning of year	193 231	68 663
Current-year receipts	110 321	139 045
Conditions met - transferred to revenue	(92 904)	(14 477)
Conditions still to be met- transferred to liabilities	**210 648**	**193 231**

Conditions still to be met - remain liabilities (see note 18)

Municipal System Improvement Grant (MSIG)

	2010	2009
Balance unspent at beginning of year	-	1 495 379
Current-year receipts	1 300 000	735 000
Conditions met - transferred to revenue	(1 300 000)	(2 230 379)
Conditions still to be met- transferred to liabilities	**-**	**-**

LG SETA (HIV/AIDS)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

24. Government grants and subsidies (continued)

Balance unspent at beginning of year	1 200 000	-
Current-year receipts	-	1 200 000
Conditions met - transferred to revenue	(1 200 000)	-
	-	**1 200 000**

Councillors Development Training

Balance unspent at beginning of year	-	8 837
Conditions met - transferred to revenue	-	(8 837)
	-	**-**

DWAF Clinic Sanitation

Balance unspent at beginning of year	-	374 905
Conditions met - transferred to revenue	-	(374 905)
	-	**-**

Two - roomed Clinics

Balance unspent at beginning of year	-	442 249
Conditions met - transferred to revenue	-	(442 249)
	-	**-**

Emergency Grant

Balance unspent at beginning of year	-	55 601
Conditions met - transferred to revenue	-	(55 601)
	-	**-**

Paypoint Social Services

Balance unspent at beginning of year	(74 968)	77 251
Current-year receipts	74 968	-
Conditions met - transferred to revenue	-	(152 219)
	-	**(74 968)**

L G SETA

Balance unspent at beginning of year	(38 594)	-
Current-year receipts	-	20 000
Conditions met - transferred to revenue	-	(58 594)
Reallocation of Grants	38 594	-
	-	**(38 594)**

Rural Sanitation Backlog

Balance unspent at beginning of year	29 656	-
Current-year receipts	2 977 850	1 816 000
Conditions met - transferred to revenue	(3 007 506)	(1 786 344)
	-	**29 656**

Breakdown of totals - Conditional Grants

Balance unspent at beginning of year	14 979 048	8 889 792
Current-year receipts	5 287 301	14 345 007
Interest earned	37 232	229 801
Conditions met - Transferred to revenue	(17 103 512)	(8 185 552)
Transfer to other grants	-	(300 000)
	3 200 069	**14 979 048**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18)

25. Other revenue

Commissions received	17 419	13 129
Reversal of provision for bad debt	7 215	990 347
Acknowledgement of unallocated income	725 868	2 564 381
Anonymous receipts	-	50
Clearance certificate fees	456	2 712
	750 958	**3 570 619**

26. General expenses

Advertisement	805 336	356 321
Assessment rates & municipal charges	511 881	352 006
Auditors remuneration	2 389 259	997 918
Bank charges	132 384	127 136
Cleaning of Overgrown Stands	-	1 950
Consulting and professional fees	3 125 833	2 196 717
Consumables	87 306	96 013
Entertainment - General	578 576	429 006
General Expenses - Other	316 674	325 776
Gifts	178 055	173 919
Insurance	303 920	208 870
Conferences and seminars	710 954	608 877
Skills Development Levy	294 125	294 627
Compensation Commissioner	640 147	444 085
Magazines, books and periodicals	31 803	21 548
Motor vehicle expenses	674 016	621 654
Public Participation Expenses	79 964	123 990
Pest control	136 518	237 258
Fuel and oil	-	10 885
Testing of Samples - Health	48 687	20 965
Postage and courier	6 902	2 625
Printing and stationery	537 384	562 406
Protective clothing	37 757	49 287
License fees- Other	50 510	10 297
Membership fees	687 473	369 898
Telephone and fax	1 098 661	620 978
Subsistence and Travel	638 955	564 728
International Trips	-	1 383 086
Office Rentals	591 223	698 655
Valuation Cost	1 700	-
Business Expenses Councillor and Directors	88 821	218 680
Audit Committee Members - Remuneration	159 799	126 294
Legal Fees	1 078 417	51 323
Moral Regeneration Expenses	-	568 868
Training and Development - Councillors	257 939	443 639
Training and Development - Employees	1 019 858	446 763
Events and Campaigns	609 097	536 433
IDP Review Expenses	76 835	185 499
Plants and Chemicals	49 983	325 562
	18 036 752	**14 814 542**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

27. Employee related costs

Basic Salaries	24 503 652	21 623 924
Redemption of Leave	1 426 828	1 372 709
Cell Phone Allowances	423 341	457 609
Overtime payments	157 487	139 024
13th Cheques	1 436 542	1 342 884
Car allowance	2 458 035	3 054 107
Housing benefits and allowances	271 372	303 999
Salary Claims - Local Councils	4 361 593	3 962 046
Standby Allowances	23 483	32 584
Allowances Uniforms	15 185	16 567
Pension Fund - Councils' Contributions	3 725 711	2 713 386
Medical aid - Councils' contributions	1 168 682	898 995
Group Life Insurance - Councils' Contributions	98 896	94 098
UIF	141 428	116 664
Industrial Council	4 445	3 434
Performance Bonuses	-	411 621
Long-service awards	222 506	241 882
Post-employment benefits - Defined benefit plan	630 302	675 234
	41 069 488	**37 460 767**

Remuneration of Municipal Manager

Annual Remuneration	861 180	756 089
Car Allowance	182 400	182 400
Contributions to UIF, Medical and Pension Funds	72 000	72 000
Acting Allowance	132 191	-
	(1 247 771)	**(1 010 489)**

An acting Municipal manager Mr S K Sebolai was appointed as from the 23 March 2010

Remuneration of Chief Finance Officer

Annual Remuneration	-	374 997
Car Allowance	-	63 000
Contributions to UIF, Medical and Pension Funds	-	43 067
Acting Allowance	83 297	-
	83 297	**481 064**

The previous Director Infrastructure resigned on 31 May 2009 and M B Daffue act in the position of the CFO as from 1 March 2009

Remuneration of Director Corporate Services

Annual Remuneration	-	644 306
Car Allowance	-	104 288
Contributions to UIF, Medical and Pension Funds	-	93 486
Acting Allowance	34 568	-
	34 568	**842 080**

The previous Director Infrastructure resigned on 31 May 2009 and S S Motsiri act in the position of Director Corporate Services as from 22 February 2010 till 31 May 2010 and S C Abrams act as from the 1 June 2010.

Remuneration of Director Infrastructure

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
27. Employee related costs (continued)		
Annual Remuneration	-	394 904
Car Allowance	-	148 000
Contributions to UIF, Medical and Pension Funds	-	158 901
Acting Allowance	39 000	-
	39 000	**701 805**

The previous Director Infrastructure resigned on 31 May 2009 and K T Tshukudu act in the position of Director Infrastructure as from 22 February 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

27. Employee related costs (continued)

Remuneration of Director District Economic Development

Annual Remuneration	171 526	594 605
Car Allowance	21 000	84 000
Contributions to UIF, Medical and Pension Funds	-	50 994
Acting Allowance	69 540	-
	262 066	**729 599**

M M Mongake resigned on 30 Sept 2009 and T Rampedi act in the position of Director District Economic Development as from 22 February 2010

Remuneration of Director Disaster Management

Annual Remuneration	347 294	514 023
Car Allowance	60 996	100 219
Contributions to UIF, Medical and Pension Funds	-	59 637
Other	33 682	-
	441 972	**673 879**

L Ngubane resigned on 8 Feb 2010 and R Lesar act in the position of Director Disaster Management as from 10 March 2010

Remuneration of the Directorr Environmental Health

Annual Remuneration	521 289	535 200
Car Allowance	62 880	72 000
Contributions to UIF, Medical and Pension Funds	-	64 251
Acting Allowance	28 066	-
	612 235	**671 451**

T M Ramathlape resigned on 14 May 2010 and R Lesar act in the position of Director Disaster Management as from 10 March 2010

28. Remuneration of councillors

Executive Major	604 157	495 142
Deputy Executive Mayor	457 826	378 302
Mayoral Committee Members	2 132 612	2 310 960
Speaker	406 071	402 563
Councillors	1 558 721	1 231 562
Councillors' pension contribution	644 919	495 011
	5 804 306	**5 313 540**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

29. Investment revenue

Dividend revenue		
Sanlam Shares	1 009	1 651
	1 009	**1 651**

The share holding in Sanlam accounts U0063368811 for 483 shares and U0063368951 for 487 shares was received due to the issuing of shares for policies that was in the name of the municipality.

Dividends to the amount of R 1008.80 were declared , but not yet received.

Interest revenue		
Investments and call deposits	11 340 356	15 635 020
	11 340 356	**15 635 020**
Total dividend revenue	1 009	1 651
Total interest revenue	11 340 356	15 635 020
Total investment revenue	**11 341 365**	**15 636 671**

The interest income is calculated using the actual effective interest rate received on investments and call deposits.

30. Depreciation and amortisation

Property, plant and equipment	2 730 522	2 309 289
	2 730 522	**2 309 289**

31. Gains or losses on biological assets

Gains or losses arising from a change in fair value less point of sale costs	(733 144)	-
	(733 144)	**-**

32. Finance costs

Finance leases	5 194	16 653

33. Rental income of facilities and equipment

Facilities and equipment		
Rental of facilities	-	28 207
	-	**28 207**

34. Contracted Services

Information Technology Services	717 482	642 227
Other Contractors	985 854	1 011 586
	1 703 336	**1 653 813**

35. Grants and subsidies paid

City of Matlosana	11 211 924	19 354 598
City Council of Tlokwe	2 421 109	9 824 982
Merafong City Local Municipality	4 697 444	6 741 358
Ventersdorp Local Municipality	6 678 209	3 077 711

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
35. Grants and subsidies paid (continued)		
Maquassi Hills Local Municipality	3 056 666	12 906 626
Dr Kenneth Kaunda District Municipality	32 625 370	18 383 673
	60 690 722	**70 288 948**

Details of Grants paid - Dr Kenneth Kaunda District Municipality		
Active Oldies Game	-	1 123
Codes Development	-	191 448
Communication Unit	1 480 848	682 795
Community Agricultural Support	-	66 750
Cultural Festival	-	159 000
Development of School Sports	-	156 700
DGDS/Agric Summit Business Plans	-	320 351
District Expo	162 594	84 526
Disaster Management Advisory Forum	17 447	35 904
Disaster Management Awareness	349 585	305 211
Disaster Management Planning	623 700	298 328
Disaster Management Relief	43 368	44 400
Dr Kenneth Kaunda Tourism Association	80 000	50 000
Electricity Programme	-	362 614
Emergency Funding Major Incident	945	-
Entrepreneurial Month	18 300	41 880
Exhibitions	-	74 997
Fire Fighting Training & Development	88 475	-
Identify/Preservation of Tourism/Heritage Sites	-	575 505
GIS Development	-	120 000
Housing Project & Infrastrc. Baitshoki	668 827	1 557 000
Led Leadership Programme	-	3 500
Local and International Games	-	395 977
Maintenance Of Identified Heritage Sites	-	72 000
Maintenance Rural Roads	-	1 845 720
Mayoral Golf Fund	-	50 000
Merit bursary Community	1 129 627	645 689
Merit bursary employees	239 225	152 394
N12 Treasure Route	1 645	30 000
Promotion and Marketing DED	99 030	135 300
Resource & Support Centre	43 860	50 000
Promotion and Marketing	-	198 015
Risk Reduction Project	220 525	-
Rural Development Games	-	295 527
Rural Sannitation &Water Backlog @ Schools	3 770 598	1 786 344
Tourism Awareness	18 948	29 694
Tourism & Marketing	213 554	95 788
Tourism Information Centre	30 000	40 000
SAMSRA Games	-	148 423
SMME Workshop/Summit	64 769	99 210
Scheikenmaster Meat Processing	2 500 000	2 500 000
Skills Development and Training	711 596	9 521
Skills, Training & Mentorship	-	32 058
Small Scale Farmers Tech. Support	35 000	182 340
SDM Economic Agency	1 083 330	1 000 000
Special Discretionary on Merit	2 458 631	1 403 379
Special Projects Desk	3 237 131	1 018 854
Sport, Arts and Culture	4 330 952	-
Upgrading of Parks	-	208 558
Volunteer Unit	920 182	-
Women in Sports	-	243 450
2010 Development Plan	-	583 400
2010 Soccer World Cup Tournament	5 199 160	-
Funding Municipal systems improvement grant	1 300 000	-
Funding Finance Management Grant	41 144	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
35. Grants and subsidies paid (continued)		
Funding LG Seta Mandatory Grant	92 375	-
Funding Local Government (Seta)	1 200 000	-
Funding for Rural Support	150 000	-
	32 625 371	**18 383 673**

Details of Grants paid - City of Matlosana

10ml Reservoir Hartebeesfontein/Tigane	14 560	5 794 161
CCTV Cameras	11 055 525	10 295 607
District Agricultural Projects	-	425 000
Khuma Main Road (Malekhutu)	141 840	997 502
Mayoral Project Matlosana	-	1 500 000
Solid Waste Handling-Matlosana	-	342 328
	11 211 925	**19 354 598**

Details of Grants paid - City of Thlokwe

Drikus Malan Bridge	-	7 963 765
Matlwang Electricity Supply	1 800 000	-
Rysmierbult Clinic	-	614 762
Tlokwe Beans Project	325 000	122 807
Zonderwater Geostudy	296 109	1 123 649
	2 421 109	**9 824 983**

Details of Grants paid - Merafong City Local Municipality

Fire Support Programme-Fire- engines	4 693 744	17 220
Mayoral Project Merafong	-	5 000 000
Telephone and Additional Services	3 699	45 199
Sewer Pipeline Kokosi	-	944 767
Water Pipeline (Fochville)	-	734 172
	4 697 443	**6 741 358**

Details of Grants paid - Ventersdorp Local Municipality

Ext.6-Ventersdorp Township Establihment	172 400	-
Formalization of Rural Settlement	-	686 511
Fire Engines Purchases - Ventersdorp	2 701 797	-
High Mast Lights	-	1 641 775
Mayoral Projects Ventersdorp	189 830	284 746
Paupers Funerals	438 035	124 882
Premier Support Grant - Refilwe Project	314 978	-
Township Establish. Toevlug Ventersdorp	1 467 590	82 190
Transformers	129 500	-
Ventersdorp Vineyard Project	325 000	257 608
Boikhutso outdoor sport facility	442 000	-
VIP Sannitation Rysmierbult	497 079	-
	6 678 209	**3 077 712**

Maquassi Hills Local Municipality

Electricity Upgrade	-	385 350
Investigation Elect. Loss M/Hills	-	1 060 445
Lebaleng Storm Water	-	5 812 383
Main Road Wolmaransstad	1 607 531	3 833 582
Maquassi Hills Piggery	325 000	98 428
Mayoral Project M/Hills	1 124 135	1 677 536
M/Hills Streetlights Tswelelang	-	38 900
	3 056 666	**12 906 624**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
35. Grants and subsidies paid (continued)		
Total Grants and Subsidies paid	60 690 722	70 288 948
Total grants and subsidies paid	**60 690 722**	**70 288 948**

36. Cash generated from operations

Surplus	35 014 825	14 902 351
Adjustments for:		
Depreciation and amortisation	2 730 522	2 373 222
Gain on sale of assets and liabilities	727 562	1 460 884
Finance costs - Finance leases	5 194	16 653
Interest income	11 340 356	(15 635 020)
Dividends received	1 009	(1 651)
Provision for leave reserve	387 108	1 039 034
Debt impairment	297 467	-
Movements in operating lease assets and accruals	440 338	-
Movements in retirement benefit assets and liabilities	500 889	-
Movements in provisions	(523 621)	509 946
Other non-cash items	-	(97 697)
Changes in working capital	**50 921 649**	**4 567 722**
Trade and other receivables	(690 780)	(12 308)
Increase/(Decrease) in trade and other payables	(6 280 980)	(6 738 318)
VAT	2 333 913	(453 866)
Increase/(Decrease) in conditional grants and receipts	(11 738 567)	6 089 256
	34 545 235	**3 452 486**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

37. Commitments

Authorised capital expenditure

Total approved and contracted for		
Infrastructure	-	3 816 847
Water	6 066 575	6 547 129
Elecrtricity - Street lights	253 095	-
Other	353 171	557 238
	6 672 841	**10 921 214**

This expenditure will be financed from:		
Own resources	6 672 841	10 921 214

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	13 047 116	10 846 510
- in second to fifth year inclusive	7 011 966	15 998 783
	20 059 082	**26 845 293**

	-	319 784
	-	1 482 869
Operating lease commitments after correction of error	**20 059 082**	**28 647 946**

The operating lease commitments in the 2008/2009 financial year were understated for the lease of office buildings - City Council of Matlosana

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 36 months . No contingent rent is payable.Operating lease payments represent rentals payable by the municipality for:
1.Public Surveilance System (CCTV and Security Service)
The municipality lease a Public Surveilance System. The lease was classified as a operating lease the following grounds:1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.

Clause1 Service description states that the the lessee shall install, operate, maintain, and insure the CCTV System.
The original agreement was signed on the 2 Nov 2005 and the period for the lease was 36 months. A new lease contract was entered into and signed on the 7 Nov 2008 for a further period of 36 months
The monthly lease amount as per the agreement to R819,072.70 (Exl VAT), with a 12% escalation per year.

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 7 Nov 2008
Accumulative annual escalation is 12%
Option to renew the contract for another 36 months is included under Period of lease paragraph 2.2

2. Nashua
The municipality lease a printer (AF 3500DN serial no Q6560100140) from Nashua. The lease was classified as a operating lease the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or

37. Commitments (continued)
liability in the statement of financial position.

3.Nashua shall maintain an service the equipment.
4.The agreement was signed on the 23 Oct 2006 and the period for the lease was 36 months.
3.The monthly lease amount as per the agreement is R275.00 (Excl VAT), No escalation was agreed on in the lease

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 23Oct 2006
No accumulative annual escalation is included in the lease
No Option to renew the contract is stipulated in the lease

3. Nashua
The municipality lease an copier (AF 3030 PS serial no K8664101495) from Nashua. The lease was classified as a operating lease the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2..The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.

3. Nashua shall maintain and service the equipment.
4.The agreement was signed on the 23 Oct 2006 and the period for the lease was 36 months.
5.The monthly lease amount as per the agreement is R2179.00 (Excl VAT), No escalation was agreed on in the lease.

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 23 Oct 2006
No accumulative annual escalation is included in the lease
No Option to renew the contract is stipulated in the lease.

4. Old Mutual
The municipality lease an Office Building from Old Mutual. The lease was classified as a operating lease on the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.
3.Old Mutual shall maintain the building.
4.The is is from the 1st March 2007 for a period of 36 months.
5.The monthly lease amount as per the agreement is R24338 (Excl VAT), a 9% escalation was agreed on the lease.
6.A new lease was entered into on the 1st March 2010 for a period of 36 months for an amount R35092.00 (Excl VAT), a 10% escalation was agreed on the lease.

5. Toshiba
The municipality lease photocopiers from Toshiba. The lease was classified as a operating lease the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2..The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.
3. Toshiba shall maintain and service the equipment.
4.The agreement was signed on the 30 Oct 2009 and the period for the lease was 36 months.
5.The monthly lease amount as per the agreement is R32 0000 (Excl VAT), No escalation was agreed on in the lease.
General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 1 Nov 2009
No accumulative annual escalation is included in the lease
No Option to renew the contract is stipulated in the lease.
Toshiba have sold the rights and titles of the agreement to M W Asset Rentals (Pty)Ltd.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

37. Commitments (continued)

6. City of Matlosana
The municipality lease an Office Building from the City of Matlosana. The lease was classified as a operating lease on the following grounds:
1.The City Council of Matlosana shall insure the building against all classes of risk.
2.The City of Matlosana shall maintain the exterior and attend to the repair of any structural defects inside and outside the building.
4.The lease was signed on the 24 October 2004 an is from the 1 February 2002 for an indeifinite period.
5.The monthly lease amount as per the agreement is R19 913.44 (Excl VAT) as at from 1 August 2003 per month with a 6% escalation per annum as from 1 July 2003.
6.The Lease cannot be straigt-line as the lease period is indefinite.
7.As the probability is 100% that this building will still be leased for the next five years the expense for this period is shown under commitments.

38. Contingencies

Contingent Assets and Contingent Liabilities

"Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity."

Figures in Rand	2010	2009

39. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report
Short term benefits employees	Refer to note 27
Post employment benefit plan for employees of the entity and/or other related parties	Refer to note 11
Entity	Refer to note 6
Members of Council	Refer to page 1
Members of key management	MA Dlavane - Municipal Manager SK Sebolai Acting Municipal Manager from 23 March 2010 M B Daffue - Acting CFO S S Motsiri - Acting Director Corporate Services from April 2010 till 31May 2010 S C Abrams - Acting Director Corporate Services from 1st June 2010 T Tshukudu - Acting Director Infrastructure from 22 Feb 2010 L Ngubane - Director Disaster Management till 8 Feb 2010 R Lesar - Acting Director Disaster Management as from 10 March 2010 M M Mongake - Director District Economic Development till 30 Sept 2009 T Rampedi - Acting Director District Economic Development from 22 Feb 2010 T M Ramatlhape - Director Health Services till 14 May 2010 N P Xaba - Acting Director Health Services from 17 Feb 2010

The council supply these Projects with funds via the SDM Economic Agency.

Related party transactions

	2010	2009
Other Related Parties		
SDM Economic Agency	1 083 330	3 043 673
Maquassi Hills Piggery	325 000	96 491
Tlokwe Beans Project	325 000	122 807
Ventersdorp Vineyard Project	325 000	257 608
Scheikenmaster Meat Processing	2 500 000	2 500 000

40. Correction of errors

The correction of the error(s) results in adjustments as follows:

	2010	2009
Transactions affecting prior year errors		
Transactions affecting Grants and Subsidies Payments for 2008/2009		
Statement of financial performance - Accumulated surplus	-	84 966
Statement of financial position - Accumulated Surplus	-	(84 966)
Expenditure on Grants and subsidies paid (Refer journal A34)		
Transactions affecting Grant and Subsidies Payments for 2008/2009		
Statement of financial performance - Accumulated surplus	-	10 000
Statement of financial position - Accumulated Surplus		(10 000)
Expenditure on Grants and subsidies paid (Refer journal A34)	-	-
Transactions affecting Grant and Subsidies Payments of 2008/2009		
Statement of financial performance - Accumulated surplus	-	25 000
Statement of financial position - Accumulated surplus	-	(25 000)
Expenditure on Grants and subsidies paid (Refer journal A34)		

Figures in Rand	2010	2009

40. Correction of errors (continued)

Transactions affecting Grant and Subsidies Payments of 2008/2009		
Statement of financial performance - Accumulated surplus	-	3 774
Statement of financial position - Accumulated surplus	-	(3 774)
Prior year correction - Cancelled cheques 2008/2009		
Transactions affecting General Expenses Payments for 2008/2009		
Statement of financial performance - Accumulated surplus	-	124
Statement of financial position - Accumulated surplus		(124)
Prior year correction - Cancelled cheques 2008/2009		
	-	-

Correction of previous year errors - cheques cancelled in the incorrect financial year affecting the Accumulated Surplus for the 2008/2009 financial year.

Transaction affecting operating lease liability - Lease office building:Old Mutual		
Statement of financial position - Operating lease liability 06/07	-	(9 024)
Statement of financial position - Operating lease liability 07/08	-	(18 312)
Statement of financial performance - Accumulated surplus	-	27 336
	-	-

Correction on lease Old Mutual office building operating lease liability for the 2006/7 and 2007/8 financial years

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Transactions affecting the import of assets that is not previously recognised .		
Statement of financial position - Assets	-	8 000
Statement of financial performance - Accumulated surplus	-	(8 000)
	-	-

Portion depreciation of R 8000 on intangible assets to the amount of R24 000 not previously recognised. (Journal A89)

Transactions affecting the disclosure of commitments : Lease Office Building - City of Matlosana		
Commitments understated - within one year	-	542 908
- in second to fifth year inclusive	-	2 517 515
	-	**3 060 423**

The Office Building leased from the City of Matlosana was not disclosed in the 2008/9 financial statements. Disclosure only affected the understatement of commitments.

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41. Risk management

Financial risk management

The municipality’s is expose to a variety of financial risks: market risk , fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, but the exposure is limited and manageble.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial

41. Risk management (continued)

liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 47.7 to the annual financial statements.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income received on interest on investments are dependent of changes in market interest rates.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months.The current Interest rate shown below is the interest on call investment deposits at year end or the average interest earned during the past year under review

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	5,27 %	7 635 823	-	-	-	-
Call investment deposits	7,51 %	137 000 000	-	-	-	-
Investments	5,52 %	9 189 163	-	-	-	-

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables and Other Debtors are individually evaluated annually at statement of financial position date for impairment or discounting.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2010	2009
Investments	9 189 163	8 723 066
Call investment deposits	137 000 000	113 000 000
Trade and other receivables	1 394 128	975 793
Bank balances and cash	7 639 832	11 428 454

The maximum credit and interest risk exposure in respect of the relevant financial instruments amounts to as indicated above.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

41. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.

Sensitivity analysis for each of the market risks

42. Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.estimation of its financial effect or a statement that such an estimation cannot be made.

Figures in Rand	2010	2009

43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	74 016	276
	74 016	**276**

Fruitless and wasteful expenditure represent interest and penalties on late payment

44. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	35 014 825	14 902 351
Adjusted for:		
Fair value adjustments	733 144	-
Impairments recognised / reversed	(540 228)	(990 347)
Gain / loss on write -off on the sale of assets	(5 582)	-
Increases / decreases in provisions	423 000	(509 946)
Nett underspending on approved budget	(35 625 159)	(13 394 058)
Net surplus per approved budget	**-**	**8 000**

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to Organised Local Government

Current year subscription	350 208	368 374
Amount paid - current year	(350 208)	(132 842)
Amount paid - previous years	-	(235 532)
	-	**-**

Membership fees paid to SALGA.

Audit fees

Current year audit fee	2 389 260	983 864
Amount paid - current year	(2 389 260)	(983 864)
	-	**-**

PAYE and UIF

Current year payroll deductions	6 631 582	5 893 975
Amount paid - current year	(6 631 582)	(5 893 975)
	-	**-**

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	5 526 774	4 259 672
Amount paid - current year	(5 526 774)	(4 259 672)
	-	**-**

VAT

VAT receivable	2 135 490	4 469 403
	2 135 490	**4 469 403**

VAT output payables and VAT input receivables are shown in note 13.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

All VAT returns have been submitted by the due date throughout the year.

46. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E (1) for the comparison of actual operating expenditure versus budgeted expenditure.

47. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E (2) for the comparison of actual capital expenditure versus budgeted expenditure.

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

.See the attached annexure regarding deviations from supply chain regulations.

49. Water Services Authorities - transfer of assets & liabilities

The Government Gazette No. 24228 of 3 January 2003 was promulgated by the Minister responsible for Provincial and Local Government. In this Gazettte the municipalities of Tlokwe, Matlosana, Maquassi Hills and Ventersdorp were made Water Services Authorities (WSA). In terms of this Gazette the relevant Category B Municipalities are responsible for the assets and liabilites relating to the bulk water and sanitation.services. All relevant external loans and assets are transfered to the Category B Municipalities in the 2007/2008 financial year. We are still in the proces to unbundle the bulk infrastructural assets for Maquassi Hills and Ventersdorp while all the infrastructural assets for Matlosana and Thlokwe were handed over to them.

50. Details of statement of changes in net assets

Refer to Appendix A for the detail of the Statement of changes in net asets

51. Analysis of property plant and equipment

Refer to Appendix B - Analysis of property, plant and equipment

52. Segmental analysis of property, plant and equipment

Refer to Appendix C - Segmental Analysis of property, plant and equipment

53. Segmental statement of financial performance

Refer to Appendix D - Segmental statement of financial performance

54. Disclosure of grants and subsidies

Refer to Appendix F - Disclosure of grants and subsidies